



FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015



WESTERN ENVIRONMENTAL LAW CENTER
FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Environmental Law Center
Eugene, Oregon

We have audited the accompanying financial statements of Western Environmental Law Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Environmental Law Center as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Roth, P.C.

Jones & Roth, P.C.
Eugene, Oregon
July 19, 2017

FINANCIAL STATEMENTS

WESTERN ENVIRONMENTAL LAW CENTER
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,009,389	\$ 639,435
Prepaid expenses	12,432	12,106
Accounts receivable	74,698	261,559
Grants receivable	25,000	5,000
Other assets	<u>413</u>	<u>184</u>
 Total current assets	 <u>1,121,932</u>	 <u>918,284</u>
Equipment and furnishings		
Equipment and furnishings	82,772	92,095
Accumulated depreciation	<u>(57,294)</u>	<u>(59,464)</u>
 Equipment and furnishings, net	 <u>25,478</u>	 <u>32,631</u>
Other assets		
Certificate of deposit	221,125	219,140
Funds held in trust	7,435	8,037
Beneficial interest in the assets of the Oregon Community Foundation (OCF)	35,060	33,190
Deposits	10,995	10,995
Unemployment deposit	<u>10,000</u>	<u>10,000</u>
 Total other assets	 <u>284,615</u>	 <u>281,362</u>
 Total assets	 <u><u>\$ 1,432,025</u></u>	 <u><u>\$ 1,232,277</u></u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 4,573	\$ 2,109
Credit card payable	12,325	12,655
Payroll payables	<u>51,578</u>	<u>46,420</u>
Total current liabilities	68,476	61,184
Other liabilities		
Funds held in trust	<u>7,434</u>	<u>8,035</u>
Total liabilities	<u>75,910</u>	<u>69,219</u>
Net assets		
Unrestricted	1,140,547	948,767
Temporarily restricted	<u>215,568</u>	<u>214,291</u>
Total net assets	<u>1,356,115</u>	<u>1,163,058</u>
Total liabilities and net assets	<u>\$ 1,432,025</u>	<u>\$ 1,232,277</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ 5,000	\$ 737,334	\$ 742,334
Contributions	509,176	47,500	556,676
Fees and reimbursements	621,215	-	621,215
Education fees	20,000	-	20,000
In-kind donations	3,794	-	3,794
Miscellaneous	19,968	-	19,968
Interest income	3,342	-	3,342
Change in beneficial interest in the assets of the OCF	1,862	-	1,862
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>783,557</u>	<u>(783,557)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>1,967,914</u>	 <u>1,277</u>	 <u>1,969,191</u>
 Expenses			
Program	1,430,312	-	1,430,312
Management and general	160,961	-	160,961
Fundraising	<u>184,861</u>	<u>-</u>	<u>184,861</u>
 Total expenses	 <u>1,776,134</u>	 <u>-</u>	 <u>1,776,134</u>
 Change in net assets	 191,780	 1,277	 193,057
 Net assets, beginning of year	 <u>948,767</u>	 <u>214,291</u>	 <u>1,163,058</u>
 Net assets, end of year	 <u>\$ 1,140,547</u>	 <u>\$ 215,568</u>	 <u>\$ 1,356,115</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support			
Grants	\$ -	\$ 798,787	\$ 798,787
Contributions	375,129	-	375,129
Fees and reimbursements	555,782	-	555,782
Education fees	20,000	-	20,000
In-kind donations	845	-	845
Miscellaneous	11,760	-	11,760
Interest income	4,201	-	4,201
Change in beneficial interest in the assets of the OCF	(650)	-	(650)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>827,668</u>	<u>(827,668)</u>	<u>-</u>
 Total revenues, gains, and other support	 <u>1,794,735</u>	 <u>(28,881)</u>	 <u>1,765,854</u>
 Expenses			
Program	1,405,567	-	1,405,567
Management and general	169,678	-	169,678
Fundraising	<u>139,963</u>	<u>-</u>	<u>139,963</u>
 Total expenses	 <u>1,715,208</u>	 <u>-</u>	 <u>1,715,208</u>
 Change in net assets	 79,527	 (28,881)	 50,646
 Net assets, beginning of year	 <u>869,240</u>	 <u>243,172</u>	 <u>1,112,412</u>
 Net assets, end of year	 <u>\$ 948,767</u>	 <u>\$ 214,291</u>	 <u>\$ 1,163,058</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 193,057	\$ 50,646
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,790	9,310
Loss on disposal of assets	1,752	-
Realized/unrealized (gain)/loss in beneficial interest in the assets of the OCF	(1,862)	650
(Increase) decrease in:		
Prepaid expenses	(326)	(11,117)
Accounts receivable	186,861	(232,880)
Grants receivable	(20,000)	(5,000)
Other assets	(229)	(62)
Deposits	-	(2,000)
Unemployment deposits	-	1,000
Increase (decrease) in:		
Accounts payable	2,464	(16,832)
Credit card payable	(330)	(638)
Payroll payables	5,158	(366)
	<u>375,335</u>	<u>(207,289)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Net purchase of equipment	(3,388)	(15,457)
Increase in beneficial interest in the assets of the OCF	(8)	(156)
Net investment in certificate of deposit	(1,985)	(2,818)
	<u>(5,381)</u>	<u>(18,431)</u>
Net cash used by investing activities		
Net increase (decrease) in cash and cash equivalents	369,954	(225,720)
Cash and cash equivalents, beginning of year	<u>639,435</u>	<u>865,155</u>
Cash and cash equivalents, end of year	<u>\$ 1,009,389</u>	<u>\$ 639,435</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 896,067	\$ 107,823	\$ 89,207	\$ 1,093,097
Payroll taxes	68,231	8,210	6,793	83,234
Payroll benefits	120,046	14,144	12,687	146,877
Litigation:				
Communication	5,763	-	-	5,763
Education and licensure	25,201	-	-	25,201
Experts	24,196	-	-	24,196
Meals and travel	95,000	-	-	95,000
Grants passed through	7,000	-	-	7,000
Other	36,579	-	-	36,579
Communications	7,469	899	744	9,112
Depreciation	7,206	867	717	8,790
General insurance	6,341	763	631	7,735
Professional services	-	9,310	-	9,310
Office rent	61,045	7,345	6,077	74,467
Repairs	7,711	928	768	9,407
Supplies and small equipment	2,996	-	-	2,996
Utilities	11,271	1,356	1,124	13,751
Development	-	-	66,113	66,113
Education, outreach	38,650	-	-	38,650
Board expense	7,907	-	-	7,907
Office expenses	1,633	7,564	-	9,197
Loss on asset disposal	-	1,752	-	1,752
Total functional expenses	<u>\$ 1,430,312</u>	<u>\$ 160,961</u>	<u>\$ 184,861</u>	<u>\$ 1,776,134</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Support Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 846,288	\$ 108,641	\$ 68,228	\$ 1,023,157
Payroll taxes	66,159	8,493	5,334	79,986
Payroll benefits	101,222	13,619	8,657	123,498
Litigation:				
Communication	3,990	-	-	3,990
Education and licensure	22,876	-	-	22,876
Experts	53,238	-	-	53,238
Meals and travel	70,792	-	-	70,792
Grants passed through	59,000	-	-	59,000
Other	22,429	-	-	22,429
Communications	7,638	981	616	9,235
Depreciation	7,701	988	621	9,310
General insurance	6,026	774	486	7,286
Professional services	-	10,080	-	10,080
Office rent	60,700	7,792	4,894	73,386
Repairs	9,064	1,164	731	10,959
Supplies and small equipment	5,434	-	-	5,434
Utilities	11,180	1,435	901	13,516
Development	-	-	49,495	49,495
Education, outreach	38,148	-	-	38,148
Board expense	-	6,435	-	6,435
Office expenses	13,682	9,276	-	22,958
Loss on asset disposal	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total functional expenses	 <u>\$ 1,405,567</u>	 <u>\$ 169,678</u>	 <u>\$ 139,963</u>	 <u>\$ 1,715,208</u>

The accompanying notes are an integral part of these statements.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Western Environmental Law Center's (WELC) mission is to use the power of the law to safeguard the wildlife, wildlands, and communities of the American West. WELC's fee and reimbursements income consists of legal awards, settlements, and fees from public interest environmental legal cases.

Basis of Accounting

WELC's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WELC and changes therein are classified and reported as follows:

- *Unrestricted net assets* — Net assets that are not subject to donor-imposed stipulations and revenues and support that are restricted but whose restrictions are met during the fiscal year.
- *Temporarily restricted net assets* — Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the WELC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* — WELC has no permanently restricted net assets.

Basis of Presentation

Financial statements are presented in accordance with U.S. generally accepted accounting principles, which require WELC to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Income Tax Status

WELC is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, WELC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). WELC files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Receivables Policies

Some of WELC's program services are performed on a contingency fee basis. No interest on receivables is charged unless court ordered. No receivables for services are booked until final settlement is reached. If there is a contractual agreement for WELC to receive payment for fees and/or costs directly from the client, then WELC will book that receivable as it is earned. If receivables become uncollectible, they are written-off directly. Management determines the collectability and current or non-current status on a case by case basis. If associated with an active case, those costs may ultimately be recovered through a settlement or court decision.

Property and Equipment

Depreciation of equipment is provided over the estimated useful lives, using the straight-line method. Purchased assets are recorded at historical cost. Donated assets are recorded at fair value at date of contribution. Additions, betterments, and replacements are capitalized. Expenditures for normal maintenance and repairs and replacements are charged to expense as incurred.

Donations

WELC reports grants and gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

WELC reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts with explicit restrictions that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, WELC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-kind Donations

In-kind donations are valued at market value at the date of donation. WELC recognizes as contributions and expenditures donations of services which require specialized skills and donated items at fair market value.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

WELC's cash and cash equivalents consists of cash on hand and demand deposits, including a money market account, with multiple financial institutions.

3. Accounts Receivable

As of December 31, 2016 and 2015, accounts receivable consisted primarily of fees from legal actions and contracted services. Management periodically evaluates the collectability of receivables. Management considers the amounts fully collectible; therefore, no allowance for doubtful accounts has been recorded. Receivables are written-off as uncollectible when all avenues for collection have been exhausted.

As of December 31, accounts receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Fees from legal actions	\$ 64,254	\$ 243,999
Contracted services	10,000	17,500
Other receivable	<u>444</u>	<u>60</u>
Total accounts receivable	<u>\$ 74,698</u>	<u>\$ 261,559</u>

4. Certificate of Deposit

Certificate of deposit consists of a demand deposit with an original maturity greater than three months. The certificate of deposit is recorded on the statements of financial position at cost plus interest earned. Interest income from the certificate of deposit was \$1,985 and \$2,818 as of December 31, 2016 and 2015, respectively, and is included in interest income.

5. Funds Held in Trust

WELC maintains separate bank accounts for funds held in trust. These funds are mostly comprised of attorney retainers and fee recoveries. These funds are held in trust until they are distributed to the appropriate parties.

6. Concentration of Credit Risk

WELC maintains cash and cash equivalents and certificate of deposit balances in some bank accounts, exceeding the Federal Deposit Insurance Corporation (FDIC) depository insurance limit of \$250,000. At December 31, 2016 and 2015, WELC's balances exceeded FDIC depository insurance by \$959,887 and \$619,036, respectively.

WELC has accounts receivable from various parties under the terms of contracts and settlement agreements. At December 31, 2016 and 2015, 53.6 percent and 76.7 percent, respectively, of the total accounts receivable balance was due from one party under the terms of a fee settlement agreement.

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

7. Beneficial Interest in the Assets of the Oregon Community Foundation (OCF)

In 2007, a board designated endowment fund (Fund) was established at the Oregon Community Foundation (OCF). This Fund is used by OCF as the source of unrestricted grants for WELC. The agreement with OCF stipulates that the Fund shall be held and owned by OCF. OCF may distribute, on an annual basis, a fixed percentage of the Fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of OCF, additional distributions may be made from the Fund assets, even to the exhaustion of the Fund.

The following schedule summarizes the activity of the Fund, reported at fair value, for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Investment earnings:		
Interest and dividends	\$ 293	\$ 439
Realized gains	288	-
Unrealized gains	<u>1,574</u>	<u>-</u>
Total investment earnings	<u>2,155</u>	<u>439</u>
Decreases:		
Realized losses	-	(463)
Unrealized losses	-	(187)
Investment management fees	(117)	(114)
OCF fees	<u>(168)</u>	<u>(169)</u>
Total decreases	<u>(285)</u>	<u>(933)</u>
Net change	1,870	(494)
Beginning balance	<u>33,190</u>	<u>33,684</u>
Ending balance	<u>\$ 35,060</u>	<u>\$ 33,190</u>

8. Net Assets

As of December 31, temporarily restricted net assets were available for:

	<u>2016</u>	<u>2015</u>
Litigation and grant programs	<u>\$ 215,568</u>	<u>\$ 214,291</u>
Total temporarily restricted net assets	<u>\$ 215,568</u>	<u>\$ 214,291</u>

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

9. Leases

As of December 31, 2016, WELC occupied office space at several locations and leased copiers in two of those locations:

	<u>Term</u>	<u>Monthly Lease Payment</u>
Office space:		
Eugene, Oregon	July 1, 2015 – June 30, 2025	\$ 3,500
Taos, New Mexico	August 1, 2016 – July 31, 2017	2,069
Helena, Montana	May 1, 2013 – December 31, 2020; monthly lease payment includes utility charge of \$185, increasing 3% annually each April.	845
Copiers:		
Eugene, Oregon	March 2012 – March 2017	\$ 114
Taos, New Mexico	January 2016 – December 2017	133

Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 68,563
2018	52,368
2019	52,679
2020	53,000
2021	42,000
Thereafter	<u>147,000</u>
Total	<u>\$ 415,610</u>

Rental expenses for the years ended December 31, 2016 and 2015 totaled \$77,463 and \$78,818, respectively.

10. Concentrations of Income

As of December 31, included in the grants were the following amounts from a single grantor:

	<u>Single Amount</u>	<u>Percent of Total Grants</u>	<u>Percent of Total Income</u>
2016	\$160,000	21.55%	8.13%
2015	\$185,000	23.16%	10.48%

WESTERN ENVIRONMENTAL LAW CENTER
NOTES TO FINANCIAL STATEMENTS

11. Defined Contribution Pension Plan

Effective April 1, 2011, WELC sponsored a 401(k) deferred compensation plan, with a safe harbor plan. Effective January 1, 2016, the plan was amended to include employer matching contributions. During the years ended December 31, 2016 and 2015, WELC contributed \$32,628 and \$0-, respectively, to the plan as employer matching contributions.

12. Contingencies

WELC has elected to self-insure for unemployment. The contingent liability is not subject to measurement. In 2016 and 2015, there were two former employees who had been separated from service and were within the unemployment look back period. The State of Oregon Employment Department required WELC to hold separately an unemployment reserve of \$10,000 at December 31, 2016 and 2015.

13. Compensated Absences

WELC accrues earned vacation time. The amount payable at December 31, 2016 and 2015, was \$29,997 and \$29,369, respectively. WELC has a sabbatical program under which employees can earn three months of paid leave every five years of employment. No amount is accrued for sabbatical time as the liability is not subject to reasonable estimation.

14. Credit Card Lines of Credit

Certain WELC employees use WELC credit cards for organizational expenses. At December 31, 2016 and 2015, the combined balance on these cards was \$12,325 and \$12,655, respectively. As of December 31, 2016 and 2015, the combined available credit on all the cards was \$72,675 and \$57,345, respectively. At December 31, 2016 and 2015, there were credit cards being held by 15 and 12 employees, respectively.

15. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.